IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

DATATREASURY CORPORATION, Plaintiff, v. SMALL VALUE PAYMENTS COMPANY, Defendant.	Civil Action No. 2:04-CV-85 Hon. David J. Folsom

DEFENDANT SMALL VALUE PAYMENTS COMPANY'S SURREPLY TO PLAINTIFF DATATREASURY CORPORATION'S REPLY BRIEF ON CLAIM CONSTRUCTION

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TABLE OF CONTENTS

I. INTRODUCTION 1

II. DATATREASURY IMPERMISSIBLY READS "CENTRAL" OUT OF "CENTRAL DATA PROCESSING SUBSYSTEMS," a.k.a. "CENTRAL LOCATIONS" 3

III. "VERIFYING" MUST BE DONE BY THE "CENTRAL DATA PROCESSING SUBSYSTEM," AND REQUIRES COMPARISON WITH KNOWN DATA 5

IV. THE CLAIM PREAMBLES ARE LIMITING 6

V. THE CLAIMED FUNCTIONAL LANGUAGE IS ALSO LIMITING ... 7

VI. SVPCO ACCEPTS DATATREASURY'S DEFINITION OF "SUBSYSTEM IDENTIFICATION INFORMATION," AND LEAVES THE QUESTION OF WHETHER "ENCRYPTED SUBSYSTEM IDENTIFICATION INFORMATION" IS VALIDLY DESCRIBED AND SUPPORTED FOR ANOTHER DAY 8

VII. DATATREASURY'S NEW DEFINITION OF "IMAGE" IS CONTRARY TO ITS ORIGINALLY-PROPOSED DEFINITION, AND SHOULD BE GIVEN NO WEIGHT 9

VIII. CONCLUSION 10

TABLE OF AUTHORITIES

Bell & Howell Document Mgmt. Prods. Co. v. Altek Sys.,
132 F.3d 701 (Fed. Cir. 1997). 1

C.R. Bard, Inc. v. M3 Systems, Inc.,
157 F.3d 1340 (Fed. Cir. 1998). 7

Curtiss-Wright Flow Control Corp. v. Velan, Inc.,
05-1373, 2006 U.S. App. LEXIS 3521 (Fed. Cir. Feb. 15, 2006). 5, 6

Dow Chem. Co. v. United States,
226 F.3d 1334 (Fed. Cir. 2000). 4

Eaton Corp. v. Rockwell Int'l Corp.,
323 F.3d 1332 (Fed. Cir. 2003). 7

Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.,
344 F.3d 1359 (Fed. Cir. 2003). 8

Honeywell Int'l v. Hamilton Sundstrand Corp.,
370 F.3d 1131 (Fed. Cir. 2004). 8

K-2 Corp. v. Salomon S.A.,
191 F.3d 1356 (Fed. Cir. 1999). 6, 7

Lockwood v. American Airlines,
107 F.3d 1565 (Fed. Cir. 1997). 9

NTP, Inc. v. Research in Motion, Ltd.,
418 F.3d 1282 (Fed. Cir. 2005). 7

Vitronics Corp. v. Conceptronic, Inc.,
90 F.3d 1576 (Fed. Cir. 1996). 1

I. INTRODUCTION

Courts should interpret patent claims "on the basis of their intrinsic record, not on the testimony of such after-the-fact 'experts' that played no part in the creation and prosecution of the patent." *Bell & Howell Document Mgmt. Prods. Co. v. Altek Sys.*, 132 F.3d 701, 706 (Fed. Cir. 1997). Moreover, when claim definitions can be unambiguously ascertained from the intrinsic record, as is the case here, expert testimony to vary those definitions is legally impermissible. *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1583 (Fed. Cir. 1996). Rather than abiding by these well-established rules, DataTreasury asks the Court for the first time to rely solely on its experts to read explicit limitations, like "central" and "verifying," completely out of the claims.[1] In view of the unambiguous intrinsic record, it is incontrovertible that (i) "central" requires a data processing subsystem "at the center" to which all remotely captured image data flow, and (ii) "verifying" must be performed by the central data processing subsystem, and requires the comparison of paper transaction data and subsystem identification information to known data or a recognized standard. Whether or not these or other constructions establish SVPCo's non-infringement of the claims is irrelevant to properly construing them, despite DataTreasury's protestations and rhetorical spin to the contrary.

DataTreasury also requests, for the first time, that the Court exclude certain claim preambles and functional language as limitations, despite the fact that DataTreasury relied on those very same preambles and functional language during prosecution, *e.g.*, by adding such language by amendment and using the preamble to establish antecedent basis for it, and in other litigations, *e.g.*, the Ingenico case, to argue claim validity. DataTreasury's request should be denied, because the preambles and functional language are limiting under the law and by DataTreasury's own prior admissions.

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[1] DataTreasury's two expert declarations are substantially flawed, so the Court should ignore them. The Mullineaux Declaration utterly fails to construe the limitations at issue, namely "documents and receipts" versus "checks." The Hiles Declaration mostly argues that skilled artisans could understand the Court's existing definitions, which is different than opining how the intrinsic record supports those definitions, and as the Court knows, it is the jury that must understand and apply the definitions. Hiles likewise attacks SVPCo's constructions with much "expert" opinion and little intrinsic record. Furthermore, both after-the-fact experts wrongly argue what is "obvious" to them now, rather than what is described and supported by the intrinsic record.

Turning to another issue raised for the first time, DataTreasury attempts to show that its patents adequately describe and support encrypted subsystem identification information, even though it admits that unencrypted subsystem identification information is placed into unencrypted "tags" prior to transmission. (DTC Reply Br. at 12, Exh. B at 10.) Because DataTreasury has now provided a few examples of "subsystem identification information" (albeit unencrypted ones), as requested, SVPCo agrees with DataTreasury's proposed construction for that phrase, which is limited to the Court's existing definition of "subsystem identification information." SVPCo leaves the issue of whether the patents describe and support encrypted subsystem identification information for another day.

DataTreasury first responded to SVPCo's proposed claim constructions in its Reply Brief, not its Opening Brief, and not at any time earlier despite the Court's Patent Rules 4-2, 4-3 and 4-5. Essentially sandbagged, SVPCo replies herein to a few of the issues raised in DataTreasury's Reply Brief, and reaffirms its arguments set forth in its Responsive Brief.[2]

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[2] SVPCo's Responsive Claim Construction Brief, dated 2/28/06, is referred to herein as "SVPCo Br." or "Responsive Brief."

II. DATATREASURY IMPERMISSIBLY READS "CENTRAL" OUT OF "CENTRAL DATA PROCESSING SUBSYSTEMS," a.k.a. "CENTRAL LOCATIONS"[3]

DataTreasury impermissibly seeks to read "central" out of "central data processing subsystems," and thus out of the claims entirely. "Central" means a data processing subsystem located at the center of the system. "Central" does not simply mean a physical location based on geography, or some indeterminable position relative to the remote subsystems, as DataTreasury now contends, but is also a location where all of the captured image data flow as shown by Fig. 1 of the Patents-in-Suit.[4] All remotely captured image data flow to the central data processing subsystem (DPC 600), either directly from the remote subsystems (DAT 200), or indirectly through intermediate subsystems (DAC 400). Contrary to DataTreasury's assertions, it is irrelevant whether the remote, intermediate, and central subsystems are connected via "carrier clouds," the "Internet," hardwire, or any other communication connection—all of the captured image data and subsystem identification information flows to the central data processing subsystem regardless of the means used to communicate the data there.

As set forth in its Responsive Brief at pp. 22-24, SVPCo's proposed definition is unambiguously determined by the intrinsic record, consisting of the title ("remote image capture with centralized processing and storage"), the specification ('988 Patent, cols. 4:60-5:10, 14:19-

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[3] DataTreasury argues that "central locations" are different from "central data processing subsystems." (DTC Reply Br. at 21.) This argument is contrary to what DataTreasury argued before the USPTO, that is, that they are the same, as is clear from the patents themselves. (*See* SVPCo Br. at 40-42, 48, and Exhs. X and Y.) Accordingly, DataTreasury's argument is without merit.

[4] The "central data processing subsystem" of the Patents-in-Suit physically consists of computer hardware, *e.g.*, "DPC server 602," connected on a common local area network, *e.g.*, "LAN 606." ('988 Patent, col. 14:19-16:24.) It is this combination of computer hardware that is "at the center" of the system to which all remotely captured image data flow. Hence, the proper construction of "central" also contemplates this physical reality, and permits a factfinder to distinguish networks without "central data processing subsystems," *e.g.*, peer-to-peer networks. (*See* SVPCo Br. at 4 n.5.)

42, 16:13-25, 21:33-22:12, 27:17-26, 28:17-23), the drawings ('988 Patent, Figs. 1, 2, 4 and 6), and the prosecution history (SVPCo Br., Exhs. U, V and Y) of the Patents-in-Suit, and by law cannot be altered by extrinsic evidence, such as expert testimony. Indeed, "reliance on expert and other testimony to alter the meaning of [a patent's] claim … is reversible error." *Dow Chem. Co. v. United States*, 226 F.3d 1334, 1342 (Fed. Cir. 2000).

DataTreasury argues that the "at least one" central data processing subsystem language precludes SVPCo's construction. This is not the case. According to the Patents-in-Suit, a single "central data processing subsystem" receives all remotely captured image data flowing from the "remote data access subsystems" in a given geographic "region." (*See* '988 Patent, col. 20:13-15 ("the DPC 600 reads the address of the first DAC [400] in its region for polling"); col. 20:54-56 ("the DPC 600 will determine whether TECBIs have been transmitted from all of the DACs [400] in its region in step 724"); col. 20:60-64 ("[i]f one or more DACs [400] in the DPC's 600 region have not transmitted TECBIs to the DPC 600, … the next DAC [400] in the DPC's 600 region will be polled") (emphasis added).) Of course, multiple regions require multiple "central data processing subsystems."[5]

"Central" cannot mean "non-central," as DataTreasury in essence requests this Court to hold. When "central data processing subsystems" was construed in the prior J.P. Morgan case, the meaning of "central" was not of primary concern. Instead, for whatever reason, the meaning of "remote" was. This may have led the Court to state that "central location" means "a location that is different from the remote locations …." (Markman III at 57.) This definition of "central location" would include the "intermediate" data collecting

[5] This architectural scheme likewise applies to "intermediate data collecting subsystems." (*See, e.g.*, '988 Patent, col. 11:13-17 ("As shown in FIG. 1, each DAC 400 supports a region containing a group of DATs 200. Each DAC 400 polls the DATs 200 in its region ….") (emphasis added).)

subsystems,[6] but this cannot be correct given that "central" and "intermediate" subsystems clearly have substantially different functions according to the Patents-in-Suit. More to the point, however, the Court construed "central data processing subsystem" as "a subsystem for centralized execution of processing, sending and storing data received from one or more remote data access subsystems." (Markman III at 13 (emphasis added).) Therefore, SVPCo requests that the Court define "central" in "central data processing subsystems" in accordance with the intrinsic record as including the requirement that all of the remotely captured image data must flow to that subsystem.

III. "VERIFYING" MUST BE DONE BY THE "CENTRAL DATA PROCESSING SUBSYSTEM," AND REQUIRES COMPARISON WITH KNOWN DATA

"Verifying" paper transaction data and subsystem identification information must be done by the "central data processing subsystem," as explicitly claimed. Indeed, "verifying," along with "processing," "sending," and "storing," constitute four expressly recited functions of the "central data processing subsystem." DataTreasury's expert, in fact, agrees that the central data processing subsystem provides functions that are "not present at the remote site or in the remote subsystem." (DTC Reply Br., Exh. B at 6.) But DataTreasury asks the Court to read this limitation out of the central data processing subsystem completely, arguing that the central data processing subsystem "verifying" limitation would be infringed if this function were performed anywhere in the accused system. (DTC Reply Br. at 19.) This construction, however, would vitiate "verifying" from the "central data processing subsystems" claim limitation, which is contrary to well-established law. *See Curtiss-Wright Flow Control Corp. v. Velan, Inc.*, 05-

6 *See, e.g.*, '988 Patent, col. 11:12-18 ("Each DAC 400 polls the DATs 200 in its region and receives TECBIs which have accumulated in the DATs 200. The DACs 400 are located at key central sites of maximum merchant density.").

1373, 2006 U.S. App. LEXIS 3521, *10-13 (Fed. Cir. Feb. 15, 2006); *K-2 Corp. v. Salomon S.A.*, 191 F.3d 1356, 1367 (Fed. Cir. 1999).

Moreover, for the reasons set forth in SVPCo's Brief, "verifying," when performed by the central data processing subsystem, requires a comparison with known data (or a recognized standard). SVPCo notes that of the three examples of "verifying" previously considered by the Court in the J.P. Morgan case, only one involved the "central data processing subsystem" (signature verification), and that example required a comparison of the transaction data (the document signature) against known data (a centrally-stored database of signatures). (*See* SVPCo Br. at 31 n.30.) Moreover, even DataTreasury's newly-cited example of "verifying" from the Patents-in-Suit, to the extent it has any relevance, requires a comparison of a customer retrieval request received at the central data processing subsystem against centrally-stored known data consisting of the customer's security profile. (DTC Reply Br., Exh. B at 11 (citing '988 Patent, col. 22:1-11).)

Accordingly, SVPCo submits, that "verifying" must be done centrally, that is, at the "central data processing subsystem," as explicitly required by the claims, and must confirm the accuracy of the paper transaction data and the subsystem identification information by comparing that data or information with known data or a standard. Again, since this meaning is unambiguous from the intrinsic record, resort to expert testimony is improper.

IV. THE CLAIM PREAMBLES ARE LIMITING

SVPCo contends that claim preambles can be limiting and DataTreasury agrees, for example, acknowledging that the preamble of Claim 42 of the '988 Patent is limiting. (DTC Reply Br. at 21-22.) Of course, the Court already knows this: "Interestingly, [DataTreasury] agrees 'that the preamble is a claim limitation to the extent that the preamble distinguishes claim

42 over the prior art.'" (Markman III at 51-52.) Notably, DataTreasury relied on the preambles as limitations to support the validity of its claims, as it did in the First Data and Ingenico cases. (*See, e.g.*, SVPCo Br., Exhs. J and M (relying on "reports" in preamble to support claim validity in view of certain prior art).) As such, the preambles are important to the invention or necessary to give meaning to the claim, and thus limiting. *See NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1305-06 (Fed. Cir. 2005). Further, the preambles provide antecedent basis to the limitations in the body of the claim, and thus make the preambles a "necessary component" of the claim. *Eaton Corp. v. Rockwell Int'l Corp.*, 323 F.3d 1332, 1339 (Fed. Cir. 2003).

DataTreasury relies on *C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340 (Fed. Cir. 1998), for the proposition that its preambles should not limit claim scope. The claim in that case, however, is quite different from the claims here. In *Bard*, the preamble merely described the portion of a needle housing necessary to define the intended function of the claimed needles. In this case, by contrast, the preambles recite structures and functions well beyond what is necessary to describe the intended purpose of the computer system, and which were relied upon by DataTreasury to maintain claim validity. As such, DataTreasury's reliance on *Bard* and like cases is misplaced.

V. THE CLAIMED FUNCTIONAL LANGUAGE IS ALSO LIMITING

DataTreasury argues, for the first time ever, that certain functional limitations in Claim 1 are non-limiting, namely (i) "capturing … paper transaction data," (ii) "capturing … subsystem identification information," (iii) "capturing documents and receipts," and (iv) "documents and receipts." This argument is preposterous. "The functional language is, of course, an additional limitation in the claim." *K-2 Corp. v. Salomon S.A.*, 191 F.3d 1356, 1363 (Fed. Cir. 1999).

DataTreasury added much of that functional language, as well as other functional language, by amendment to overcome prior art rejections. (*See* SVPCo Br., Exh. K, at 1-2.) Accordingly, this language is presumed limiting. *See Honeywell Int'l v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1139-42 (Fed. Cir. 2004); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359, 1366-69 (Fed. Cir. 2003).

Moreover, DataTreasury does not explain why other functional language in the same claim, or in other claims, is admittedly limiting. DataTreasury cannot be allowed to pick and choose which functional language is limiting, and which is not, given that such functional language was relied upon by DataTreasury to obtain the patents from the USPTO.

VI. SVPCO ACCEPTS DATATREASURY'S DEFINITION OF "SUBSYSTEM IDENTIFICATION INFORMATION," AND LEAVES THE QUESTION OF WHETHER "ENCRYPTED SUBSYSTEM IDENTIFICATION INFORMATION" IS VALIDLY DESCRIBED AND SUPPORTED FOR ANOTHER DAY

After almost two years of discovery, DataTreasury has finally put on the record some examples of data that might be considered "subsystem identification information." (DTC Reply Br., Exh. B at 10-11 ("DAT_Unit_Number", "DAT_Terminal_ID").) DataTreasury admits that this unencrypted subsystem identification information is placed in the unencrypted "tags" of the TECBI[7] packets. (DTC Reply Br., Exh. B at 10.) But now, DataTreasury asserts that the TECBI packets are encrypted upon transmission from the remote to central subsystems, which in turn, encrypts the subsystem identification information contained therein.

SVPCo disagrees that encrypted TECBI packets are described or supported by the Patents-in-Suit, which are completely silent on this point. Further, the testimony of

[7] The "Encrypted Compressed Bitmap Image" or ECBI portion of the TECBI is by definition encrypted. However, the ECBI does not contain any subsystem identification information—just Compressed Bitmap Image data.

DataTreasury's expert that TECBI packet encryption would have been "obvious" from the disclosure of the Patents-in-Suit is legally irrelevant, as this is not the correct legal standard for written description.[8] Simply stated, years after the patents issued, DataTreasury's expert cannot add features, like encrypted TECBI packets, even if they would have been obvious from the originally-filed disclosure. However, the issue of whether the Patents-in-Suit describe and support encrypted TECBI packets, so as to comply with 35 U.S.C. § 112, first paragraph, is not one that the Court needs to consider on claim construction, and should be left for another day.

Accordingly, now provided with some concrete examples by DataTreasury, SVPCo agrees with DataTreasury's definition of "subsystem identification information," that is, "information that identifies the remote data access subsystem or a subsystem that is a part of the remote data access subsystem."

VII. DATATREASURY'S NEW DEFINITION OF "IMAGE" IS CONTRARY TO ITS ORIGINALLY-PROPOSED DEFINITION, AND SHOULD BE GIVEN NO WEIGHT

DataTreasury again flouts this Court's Patent Rules. In its Claims Construction Report and Prehearing Statement, dated 1/20/06, DataTreasury urged that the term "image" should be defined as

> an optically or electronically formed representative reproduction of an object, for example, an optical reproduction formed by a lens or mirror or an electro-optical device such as a charge-coupled device (CCD), or other optical system.[9]

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[8] *Lockwood v. American Airlines*, 107 F.3d 1565, 1572 (Fed. Cir. 1997) ("While the meaning of terms, phrases, or diagrams in a disclosure is to be explained or interpreted from the vantage point of one skilled in the art, all the [claim] limitations must appear in the specification. The question is not whether a claimed invention is an obvious variant of that which is disclosed in the specification. Rather, a prior application itself must describe an invention, and do so in sufficient detail that one skilled in the art can clearly conclude that the inventor invented the claimed invention as of the filing date sought." (emphasis added)).

Only now it wants to broaden that definition impermissibly relying on its expert, to "an electronic representation of an object, such as a document or receipt." This attempt should be rejected as prejudicial to SVPCo and as unsupported by the intrinsic record, which discloses only opto-electronic representations of documents and receipts or checks. (*See, e.g.*, SVPCo Br. at 37-40, Exh. Y at 12 (in trying to distinguish capturing images of checks from capturing other non-image data in the Related '492 Appln., the only example given by DataTreasury of an "image" of a check is an optically formed representation of "a front face of a check" created by "scanner 202"); '988 Patent, col. 5:45-57.)

VIII. CONCLUSION

For the reasons set forth above and in its Responsive Brief, SVPCo submits that the intrinsic record unambiguously supports its proposed claim constructions, and requests that they be adopted.

Respectfully submitted,

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[9] *See also* Plaintiff's Combined Opening Brief on Claims Construction, dated 1/31/06, at 12.

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CERTIFICATE OF SERVICE

I hereby certify that the above and foregoing instrument was served upon all counsel of record in the above entitled and numbered cause on this the 24th day of March, 2006.

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